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Points to be Made

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— The Hostage Situation: Khomeini's announcement of March 10 has impeded the work of the U.N. Commission and temporarily blocked any transfer of the hostages from the militants to the Revolutionary Council. The Commission has therefore suspended its efforts. We remain hopeful that the Commission can play a useful role after the parliamentary elections on March 14 and internal political tensions diminish. There are signs that the militants are under pressure from the Iranian Government and segments of the public to show flexibility. We believe the failure to make progress so far underscores the need to maintain diplomatic and economic pressure on Iran by our friends and allies.

-- The Outlook for Iran: The outlook for Iran is not promising. Because of its weakness, Iran faces an enhanced Soviet threat. The Iranian military is in disarray. Relations with other countries can probably be mended over time. Iran faces massive economic problems. Central authority is tenuous. Khomeini may not be around much longer as the unifying authority figure.

-- U.S. Attitude Toward Iran: Following the safe release of the hostages, we will be prepared to resume a reasonable relationship with Iran at the pace conditions permit, but this is likely to be a slow process conditioned by Iranian revolutionary ideology and the residual hostility from the hostage crisis.

-- U.S. and Allied Interest in Iran: Both the United States and its allies have national interests in the Persian Gulf region, including Iran, which transcend such questions as who is in power in Iran. These interests dictate a concern for the viability and territorial integrity of Iran. We would expect that in a post-hostage situation our Western allies and Japan will be better positioned initially to improve relations with Iran and provide technical and diplomatic support to strengthen Iran internally and against a Soviet threat.

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-- The Soviet Threat: The Iranians realize that they are exposed to Soviet threats given their weakness, general isolation in the world community, and the changed situation after the invasion of Afghanistan. Their intense anti-Americanism distracts the Iranians from focusing on this danger. The chaotic internal situation also prevents them from reestablishing their military into a viable organization.

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